



COURSE UNIT DESCRIPTION

Course Unit Title	ESG: ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE	
Course Unit Code	GD680	
Type of Unit	Elective	
Level of Course Unit	Second cycle	
Year of Study	First/second year	
Semester	On demand	
Number of ECTS Credits	6 ECTS	
Course Unit Objectives	<p>Environmental, social, and corporate governance (ESG) criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Corporate governance deals with a company’s leadership, executive pay, audits, internal controls, and shareholder rights.</p> <p>Environmental, social, and governance (ESG) criteria are an increasingly popular way for investors to evaluate companies in which they might want to invest. ESG criteria can also help investors avoid companies that might pose a greater financial risk due to their environmental or other practices. As ESG-minded business practices gain more traction, investment firms are increasingly tracking their performance. Financial services companies such as JPMorgan Chase, Wells Fargo, and Goldman Sachs have published annual reports that extensively review their ESG approaches and the bottom-line results.</p> <p>The objective of this course is to equip students with in-depth knowledge of the ESG principles and apply this knowledge to assess and manage investments with a focus on integrating environmental, social, and governance (ESG) factors.</p> <p>This course is designed for professionals looking to integrate the ESG issues in their fields of work, such as for example:</p> <ul style="list-style-type: none"> - sales & distribution - wealth management - product development - financial advice - consulting - compliance - risk <p>After taking this elective course, participants may choose to continue their professional education by gaining the Certificate in ESG Investing by CFA Society of the United Kingdom (CFA UK Level 4 Certificate in ESG Investing https://www.cfauk.org/study/esg#gsc.tab=0).</p>	
Learning Outcomes	On completion of the course the students are expected to be able to:	
	CILO1	Demonstrate awareness of the different approaches to ESG investing and define the benefits and challenges of adhering to good practice in ESG
	CILO2	Explain the key market drivers in favour of ESG integration

	CILO3	Critically assess each of the three ESG components: environmental factors, social factors, and governance factors
	CILO4	Analyze how ESG factors may affect industry and company performance and security valuation across a range of asset classes and apply a range of approaches to ESG analysis and integration across a range of asset classes
	CILO 5	Integrate ESG in the investment mandates, portfolio analytics and client reporting
Name of Lecturer(s)	Dr Yulia Titova, Assistant Professor of Finance, IESEG School of Management, France	
Mode of delivery	Face to Face	
Prerequisites or corequisites	None	
Content	<p><i>Introduction to ESG:</i></p> <p>Defining the different approaches to ESG investing, their characteristics and the role that ESG plays in each of them.</p> <p>Benefits and challenges to organisations of adhering to good practice in ESG. Arguments in relation to financial system stability and effectiveness.</p> <p>Understanding the materiality of ESG issues in terms of their key characteristics, risks and impact that they can cause:</p> <ul style="list-style-type: none"> • Environmental: climate change, infrastructure, natural resources, nuclear energy, sustainability • Social: human capital, culture, customer engagement, demographical and social change • Governance: employee relations, management structure, executive remuneration • Disclosure and regulation • Technological disruption • Globalisation of value chains • Changes to the distribution and transfer of wealth 	CILO 1
	<p><i>The ESG Market:</i></p> <p>Size and scope of ESG investing:</p> <ul style="list-style-type: none"> • In relation to the economy • Within financial markets • By asset class, investor type, geography and approach • In relation to stakeholders <p>Key market drivers in favour of ESG integration:</p> <ul style="list-style-type: none"> • Investor demand / intergenerational wealth transfer • Regulation and “soft law” • Public awareness • Data sourcing and processing improvements <p>Key drivers and challenges for ESG integration among stakeholders within the investment industry:</p> <ul style="list-style-type: none"> • Governments and regulators • Pension funds, investment consultants and trustees • Investment and financial institutions 	CILO 2

	<ul style="list-style-type: none"> • Insurance companies • Corporations • Private wealth / retail clients • ESG rating and proxy voting service providers • Trade and non-profit organisations and academia <p>How ESG issues are related to sustainability trends and themes within the investment industry.</p> <p>Key challenges to the implementation of successful ESG investing.</p>	
	<p><i>ESG Factors:</i></p> <p>Understanding each of the three ESG components:</p> <p>1) environmental factors, systemic relationships, material impacts, mega trends and approaches to environmental analysis at country, sector, and company levels,</p> <p>2) social factors, systemic relationships, material impacts and approaches to social analysis at country, sector and company levels,</p> <p>3) governance factors, key characteristics, main models and material impacts.</p>	<p>CILO 3</p>
	<p><i>ESG Analysis, Valuation and Integration:</i></p> <p>Aim and objectives of integrating ESG into a firm's investment process. How ESG complements traditional financial analysis. How ESG factors may affect industry and company performance. How ESG factors may affect security valuation across a range of asset classes: alternative investments; equities; fixed income. Primary and secondary sources of ESG data and information. Other uses of ESG and sustainability system data. Limitations and constraints of information provided by ESG integration databases. Challenge of identifying and assessing material ESG issues. Challenges of undertaking ESG analysis across different geographic regions and cultures. How scorecards may be developed and constructed to assess ESG factors. How to interpret a company's disclosure on selected ESG topics. Range of approaches to ESG analysis and integration across a range of asset classes: alternative investments; equities; fixed income.</p>	<p>CILO 4</p>
	<p><i>Investment Mandates, Portfolio Analytics and Client Reporting:</i></p> <p>Why mandate construction is of particular relevance and importance to the effective delivery of ESG investing. How ESG screens can be embedded within investment mandates / portfolio guidelines. The most common features of ESG investing that asset owners and intermediaries, including Pension Consultants and Fund Selectors are seeking to identify through RFP and selection processes.</p>	<p>CILO 5</p>

Recommended or required reading	<p>Lectures, case studies, reports, and other course materials are available via Moodle.</p> <p>Recommended reading:</p> <p>Ioannou, I. & Serafeim, G. (2019). <i>The Consequences of Mandatory Corporate Sustainability Reporting</i>. Oxford University Press.</p> <p>Timo Busch, Rob Bauer, Marc Orlitzky (2016). Sustainable development and financial markets: Old paths and new avenues. <i>Business & Society</i>, (3).</p> <p>CFA Institute: Environmental, Social, and Governance issues in Investing, A Guide for Investment Professionals (2015). https://www.cfainstitute.org/-/media/documents/article/position-paper/esg-issues-in-investing-a-guide-for-investment-professionals.ashx</p> <p>CFA Institute: ESG Investing and Analysis (n.d.) https://www.cfainstitute.org/en/research/esg-investing</p> <p>CFA Report (2019): ESG Integration in EMEA: Markets, Practices, and Data https://www.cfainstitute.org/en/research/survey-reports/esg-integration-emea</p> <p>ESG Resources https://www.gobyinc.com/esg-solutions/esg-resources/</p>
Planned learning activities and teaching methods	Lectures; in-class discussion and debates; in-class exercises; problem sets; team work; case studies, team presentations, interactive online learning via Moodle (self-assessment quizzes, revision quizzes, discussion forums)
Assessment methods and criteria	Class Participation: 30% (including group work in class / case studies) Final Computer-Based Exam: 70% (50 questions, 2 hours)
Language of Instruction	English
Work Placement(s)	Not applicable